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CORPORATION FILE

1958



JEWEL TEA CO., INC.

annual report

Results in Brief

	<u>1958</u>	<u>1957</u>
Retail Sales:		
Retail Food Stores.....	\$367,771,632	\$336,606,569
Home Service Routes.....	<u>76,041,392</u>	<u>77,859,246</u>
Total.....	<u>\$443,813,024</u>	<u>\$414,465,815</u>
Earnings:		
Before federal income taxes.....	\$ 16,142,491	\$ 14,255,812
Net for the year.....	7,808,491	6,960,812
Per cent to sales and revenues.....	1.7%	1.7%
Reinvested in the business.....	4,361,691	3,145,608
Earned per share of common stock*.....	\$2.51	\$2.26
Cash dividends paid per share of Jewel common stock*.....	1.00	.98
Stock dividend.....		2%
New property, plant and equipment (net).....	\$ 11,091,251	\$ 6,535,915
Depreciation provision.....	4,595,890	4,216,154
Net working capital.....	\$ 34,680,629	\$ 30,985,204
Ratio of current assets to current liabilities.....	2.1 to 1	2.1 to 1
Operating Units:		
Number of Retail Food Stores.....	253	227
Square feet of floor space.....	2,656,127	2,108,310
Number of Home Service Routes.....	1,928	1,941
Shareowners.....	7,817	7,557
Common shares outstanding*.....	3,027,022	2,984,359
Preferred shares outstanding.....	58,029	58,319
Employees.....	9,595	9,344

*Adjusted for 2% stock dividend declared December 11, 1957
and issued January 31, 1958 and 2-for-1 stock split declared
December 3, 1958, to be issued as of February 13, 1959.

Annual Meeting

The Annual Meeting of stockholders
will be held at 12:00 noon
on Tuesday, March 31, 1959,
at the Biltmore Hotel
in New York City.

Management's Report

February 11, 1959

To JEWEL SHAREOWNERS, JEWEL PEOPLE AND OTHER FRIENDS:

This report describes results for 1958, the best year in Jewel's 60-year history. New records were again established in sales, earnings for Jewel people, and earnings for Jewel shareowners. Comparative figures for 1958 and 1957 are summarized on the opposite page. Results cover 53 weeks of operation for 1958 and 52 weeks for 1957. It will be noted that all per share figures have been adjusted for the 2-for-1 stock split, effective with stock of record February 13, 1959. New shares will have been mailed to shareowners by February 27, 1959.

For 1958, earnings of \$7,808,491 increased by 12.2% to \$2.51 per common share, compared with a sales gain of 7.1% to \$443,813,024. This marks the fifth consecutive year that earnings have increased more rapidly than sales, a result which can be attributed in part to a substantial increase in the efficiency of operations. Some of the factors behind this improvement are described in greater detail under the caption "The Year In Review" beginning on page 3.

During the year, a careful study was

made of our expansion plans in order to work them out in greater detail in relation to the general guide lines laid down in the latter part of 1956 for the five years ending in 1961. We have programmed 95 new stores for the next three years, of which 40 should be opened in 1959. It is expected that 15 stores will be closed in 1959 and that there will be a net gain of 490,000 square feet of store area.

No difficulties in handling the additional volume flowing from our expansion program are anticipated. The recovery in general business from the 1957-58 recession, together with apparent record supplies of foodstuffs on hand and in prospect, should lend support to our plans for the future.

We are confident that all Jewel people will continue to search out and support developments which lead to more efficient handling of food tonnage, and to the creation of more pleasant shopping experiences for customers, both essential to making our expansion profitable for customers, and hence for employees and shareowners.

FOR THE BOARD OF DIRECTORS

R. L. Clements
President

J. L. Lanning
Chairman

JEWEL TEA CO., INC.

Ten Year Consolidated Financial Summary

YEAR	IN THOUSANDS			EARNINGS PER COMMON SHARE**	IN THOUSANDS	
	RETAIL SALES	EARNINGS BEFORE INCOME TAXES	NET EARNINGS		COMMON SHAREOWNERS' EQUITY	PREFERRED STOCK
1949	\$192,819	\$ 7,269	\$4,512	\$1.64	\$17,635	\$7,380
1950	212,463	8,761	4,643	1.69	21,286	7,344
1951	236,644	7,171	3,822	1.37	22,904	7,049
1952*	255,227	6,689	3,409	1.21	24,102	6,994
1953	275,785	7,179	3,601	1.19	29,935	6,765
1954	314,162	9,233	4,710	1.53	32,164	6,745
1955	348,215	11,008	5,383	1.76	34,875	6,595
1956	385,553	12,769	6,340	2.07	39,112	5,904
1957	414,466	14,256	6,961	2.26	43,038	5,832
1958*	443,813	16,142	7,808	2.51	48,577	5,803

YEAR	IN THOUSANDS			LONG TERM DEBT	INTEREST EXPENSE	ANNUAL CASH DIVIDENDS	
	NET CAPITAL EXPENDITURES	DEPRECIATION	RETAINED EARNINGS			PREFERRED	COMMON
1949	\$3,336	\$1,679	\$2,296	\$ 198	\$ 23	\$277	\$1,938
1950	2,480	1,869	2,530	1,052	29	275	1,838
1951	3,974	2,166	1,546	9,020	187	267	2,011
1952*	1,951	2,314	1,132	9,030	282	263	2,015
1953	4,624	2,348	1,097	8,978	283	256	2,249
1954	8,924	2,919	2,102	8,686	306	253	2,356
1955	4,480	3,423	2,515	13,165	338	246	2,622
1956	7,576	3,511	3,438	13,154	474	231	2,670
1957	6,536	4,216	3,146	12,620	442	219	2,850
1958*	11,091	4,596	4,362	17,085	469	218	3,012

*53-week year; other years 52 weeks.

**Adjusted for 2-for-1 splitups in March 1953 and February 1959, and 2% stock dividend paid January 31, 1958.

Years 1951 and 1952 were affected by Government restrictions during the Korean conflict.

JEWEL TEA CO., INC.

The Year in Review

STORES ACCOUNT FOR SALES INCREASE

Total Company sales for 1958 reached a record \$443,813,024, up 7.1% from retail sales in 1957. All of the increase was accounted for by Food Store sales, which were up 9.3% for the year and accounted for 83% of Company sales. Sales of the Home Service Routes were \$76,041,392, a decrease of 2.3%. Coffee, an important item in Home Service Route sales, declined due largely to price reductions. Coffee prices fell approximately 15% during the year and averaged about 8% less than in 1957 for the year as a whole. General merchandise sales were also down modestly for the year, though Christmas sales were above those of a year ago.

External events appeared to exert a greater than usual influence on the course of food store industry sales during 1958. As we entered the year, consumers evidenced a stronger appetite for food, not so much in terms of quantities or calories, but for the better, protective foods which the American public increasingly demands. Food sales accordingly were very strong during the first half of the year despite the general business recession. People apparently tended to concentrate on food while they reduced their purchases of automobiles and other durable goods. Also, the Florida freeze combined with

the shortage of meat animals to push prices of perishable foods upward, which helped to sustain the dollar amount of food sales at a rising level into the spring. With the advent of new supplies in the summer, prices fell sharply from the spring peak.

The summer decline in food sales was greater than normal and was especially marked in the central states industrial area, which lagged substantially in the general economic recovery. It was not until November, following settlement of the automobile strike, that there began a noticeable upturn in consumer food purchases. By the end of the year, despite declining food prices, food industry sales were again on the rise, paralleling the rise in income levels accompanying the general business upturn.

EARNINGS TRENDS

Net earnings for the year totaled \$7,808,491, up 12.2%. In the past five years, retail sales have increased 61% and earnings have risen 117%. During the same period, earnings have also more than doubled on a per share basis. Most of this five-year gain in earnings has been contributed by Food Store operations.

Whether present net profit margins can be

New stores include this 21,000 sq. ft. unit opened October 29, 1958 at La Grange Highlands, Illinois. It is part of a shopping center being developed by Jewel which is expected to be in full operation by the Fall of 1959.



maintained in 1959 and subsequent years will depend to a considerable extent on our ability to provide customers with desired new products and services, and our success in finding additional means of increasing the efficiency of operations.

PERISHABLES—QUALITY THE KEY TO OPPORTUNITY

High quality standards of products and service, rigidly adhered to, have been a Jewel objective throughout its 60-year history. Back in 1932, when Jewel started in the chain food store business, quality was of utmost concern. Market surveys indicated that there was a strong consumer demand for quality perishable merchandise, particularly for meat and fresh fruits and vegetables, offered at prices made possible by chain-store mass-handling methods. This led to the development of quality standards and improved handling practices to which customers have responded with increased patronage year after year.

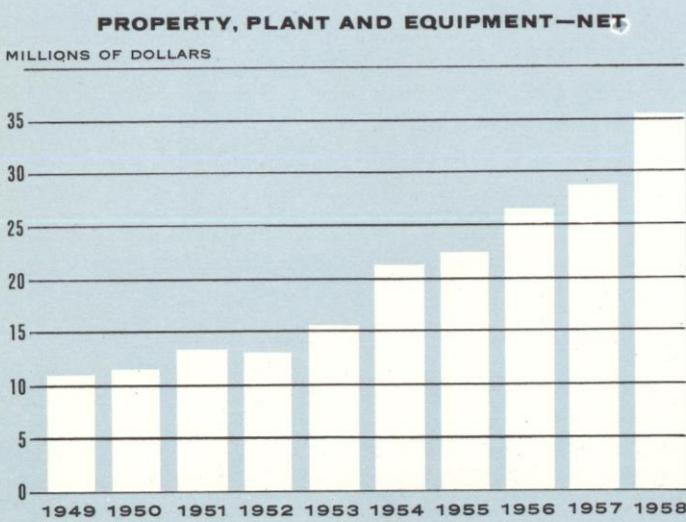
Jewel typically purchases U.S. Government graded Choice beef and lamb. Pork loins are chosen for leanness and tenderness in the 10-12 pound range, the smallest and choicest available generally to the retail trade. In the late 1930's Jewel pioneered the development of E.V.T.—Extra Value Trim—meat cutting standards which provide customer satisfaction and value.

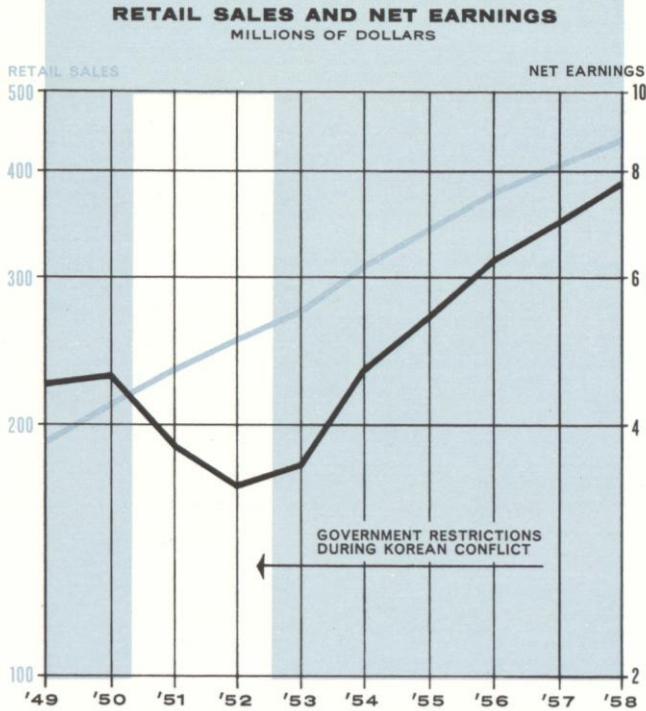
These standards are maintained because of work that goes on behind the scenes, such as rigid inspection procedures. Meat is selected and stamped by Jewel buyers. Fresh fruits and vegetables are sample checked before delivery to the stores. Each shipment of private label canned or frozen food is tested. Butter is scored, and eggs are candled and temperature checked on a sample basis to see that they meet high standards. Similar care is exercised in the stores. For example, merchandise is stamped in code with the date it is to be removed from sale. Our date codes are believed to be among the shortest in the industry, and are set so the merchandise will be fresh when it would normally be removed from the customer's refrigerator for use in her home.

PROMISING DEVELOPMENTS IN PERISHABLE FOOD SERVICES

It is this experience in the handling of perishable merchandise under the self-service method that has led us to look for new opportunities in other areas. During the past year, we have experimented in new and existing stores with food departments offering distinctive services—such as Cooked Foods Departments, Sausage Shops and Fresh Pastry Departments. Fresh Pastry Shops are operated on a self-service basis, offering substantial operating economies compared with service-type bakeries. They have been developed in collaboration with local bakers with reputations for high quality in the communities in which we operate. Sausage Shops and Cooked Foods Departments, on the other hand, re-introduce elements of service appreciated by customers.

We expect to continue to expand these services in proposed and existing stores, and to continue experimenting with other new and distinctive services. This does not mean we are ignoring the development of general merchandise lines. However, for the near term, we feel that increased services to answer food needs more fully and to meet the desires of customers for special services offer a greater opportunity than substantial expansion of general merchandise selections.





THE IMPORTANCE OF EFFICIENCY

Customers respond to values made possible by modern equipment and by efficient operating methods. During the past year, improved procedures were developed for receiving merchandise at the store, for handling and storing it, and for price-marking and moving it onto the shelves.

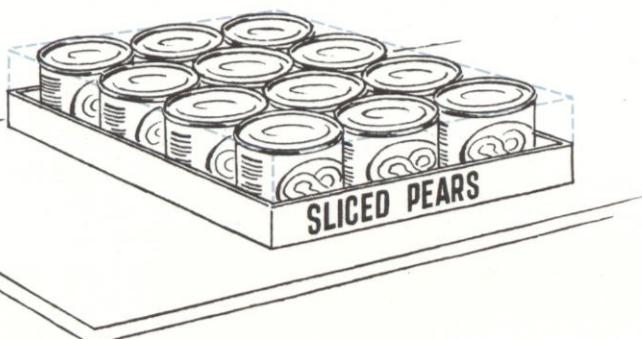
One notable development is the tray-pack method of handling canned goods. In this method, the corrugated merchandise carton is cut so that the bottom and top may each be used as a tray to hold a layer of merchandise. This results in a substantial saving in handling cost compared with handling the merchandise can-by-can for price-marking and shelf-stocking operations. It also reduces shelving maintenance costs. We are working with manufacturers and packaging people to develop this method to the point where it will create greater eye appeal on

the shelves, as well as reduced handling costs.

Such developments have contributed to a continuous rise in operating efficiency over the years. We can compare 1958 with 1952, the last year of Korean War price controls and restrictions on new construction. In this six-year period, tons handled per man-hour in the store and warehousing operations of Jewel Food Stores have increased by 35%. This is about twice the increase in output per man-hour over this period for all private business activities in the United States. Substantial investment in new facilities, equipment, inventories and other working capital items, has further contributed to the overall gain in efficiency. Investment in food store operations multiplied almost fourfold from 1952 to 1958, while investment per employee more than doubled.

GREATER EFFICIENCY SHOWS UP IN CUSTOMER VALUES

Others in the food industry have also improved their operating efficiency. This is true of farmers and transportation agencies as well as of manufacturers. The combined efforts of these groups have contributed significantly to the lowering of the cost of food relative to the All-Item Consumer Price Index. In 1952, under price control, the Retail Food Price Index was about 1% higher than the All-Item Consumer Price Index, or not much different than in the 1947-49 base period when the Indexes were the same. Since then the Food Index has declined relative to the All-Item Consumer Price Index, averaging about 5% lower in the past 3 years despite increases in food prices accompanying the normal hog and cattle cycles, and very severe weather which affected prices of fresh fruits and vegetables in 1958.



NEW SHELF STOCKING TRAY—This tray, formed by slitting a shipping case near the bottom and removing the upper portion, offers promise of substantial cost saving by handling trayfulls instead of handfuls of merchandise and opens up new possibilities for shelf merchandising.



New self-service Pastry Departments have had encouraging acceptance by customers.

The table below summarizes changes in the relationship between the Retail Food Price Index and the All-Item Consumer Price Index for the United States and for Chicago.

RETAIL PRICE COMPARISONS Indexes 1947-49=100

	December 1958	Year 1952	% Increase or(Decrease)
INDEXES FOR UNITED STATES			
All-Item Consumer Price Index.	123.7	113.5	9.0%
Retail Food Price Index.....	116.8	114.6	1.9
INDEXES FOR CHICAGO			
All-Item Consumer Price Index.	127.0	114.4	11.0%
Retail Food Price Index.....	112.4	114.7	(2.0)

Source: Bureau of Labor Statistics, U.S. Department of Labor. Retail Food Price Index is officially the "Food at Home" Price Index.

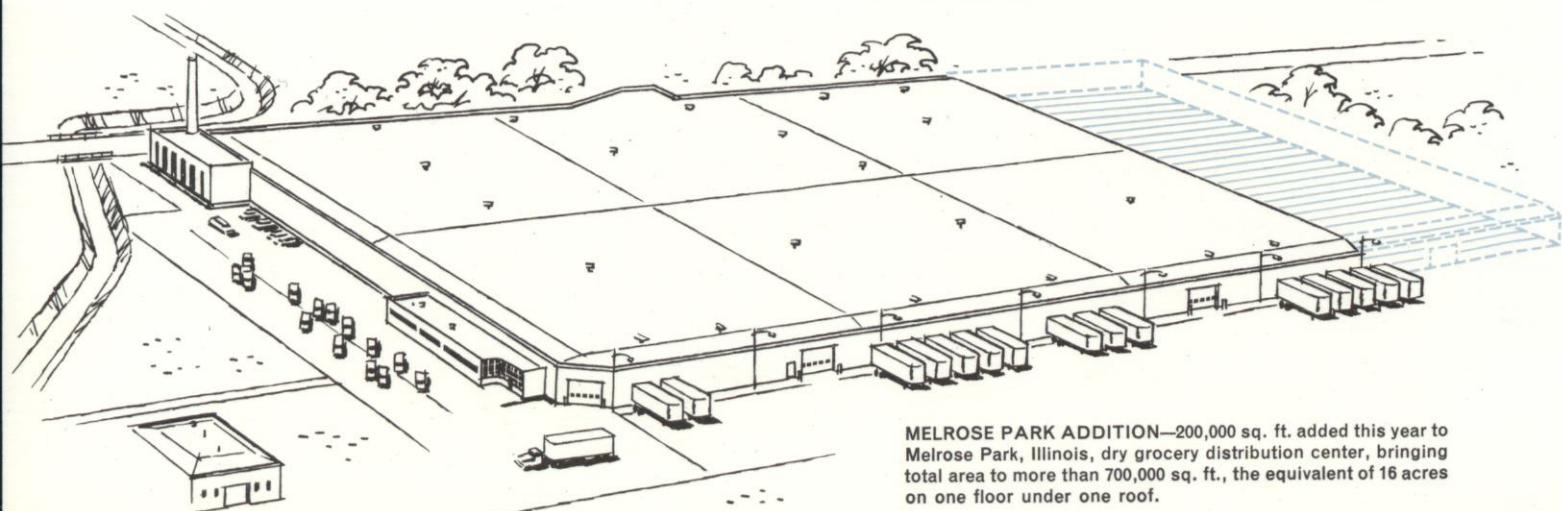
Prospective changes in the supply picture offer the possibility that food will become even more of a bargain over the next few years.

BENEFITS TO JEWEL PEOPLE

Better values for customers are not the only benefit from increasing efficiency. In addition, increased production per man-hour has made it possible for Jewel people to enjoy pay rates which have risen more rapidly than those in industry generally. Basing comparisons on 1952 again, we find that for the United States as a whole hourly earnings for non-supervisory employees in retail trade had risen by approximately 27% by December 1958, while hourly wages of production workers in manufacturing had risen by 31% over this period, according to the U.S. Department of Labor. Over the same period, average hourly earnings at Jewel have risen by 39%. In addition, Jewel people contribute to and share in increased benefits for retirement, hospitalization and medical care. Such pay rates and benefits, along with scholarships for part-time high school seniors, also attract the caliber of people needed, now and in the future, to meet the ever-rising standards of service demanded by customers.

BENEFITS TO SHAREOWNERS AND GOVERNMENTS

Besides better values for customers and higher pay for Jewel people, improved productivity has raised earnings for shareowners more rapidly than sales, as noted earlier. Governments are also receiving proportionately larger sums. For example, profits taxes paid to the Federal government by Jewel have increased from \$3,280,000 in 1952 to \$8,334,000 in 1958, and, at a 52% rate, amount to more than net earnings. Sales taxes collected from customers and turned over to



MELROSE PARK ADDITION—200,000 sq. ft. added this year to Melrose Park, Illinois, dry grocery distribution center, bringing total area to more than 700,000 sq. ft., the equivalent of 16 acres on one floor under one roof.

state and local governments totaled \$11,750,478 in 1958 compared with \$4,233,000 in 1952, while all other taxes paid by Jewel rose from \$1,378,000 to \$2,263,705 during this period.

INCREASED INVESTMENT

Net additions to property, plant and equipment amounted to \$11,091,251 in 1958 compared with \$6,535,915 in 1957. Part of this investment was for equipment to improve productivity in existing facilities, but the largest expenditures were for new construction and equipment in furtherance of our growth programs. Included was a 200,000 square-foot addition to the dry grocery warehouse originally constructed in 1954 at the Melrose Park, Illinois, plant site. This modern building now contains more than 700,000 square feet of warehouse space, all on one floor. Also, at the Barrington, Illinois, plant, an addition of 165,000 square feet was largely completed in 1958 and is expected to be in full use by the end of March. It will house general merchandise warehousing operations of the Home Service Routes and will release space needed for additional manufacturing activities, which are concentrated at this plant.

Net additions of store equipment amounted to \$6,522,271 accounting for nearly 60% of total net additions to capital assets.

STORE CHANGES TO DATE AND IN PROSPECT

Stores added to the chain totaled 42 in 1958. This included two units acquired from Connolly's Finer Foods, Inc., in Kenosha, Wisconsin, marking our first food store entry into Wisconsin.

BARRINGTON ADDITION—165,000 sq. ft. added to Barrington, Illinois, plant for Home Service Routes general merchandise operations will also make space available for increased manufacturing.

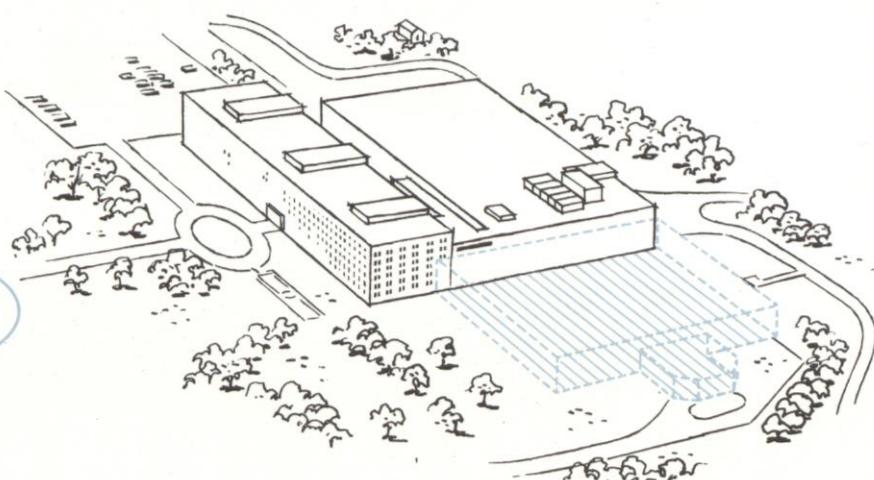


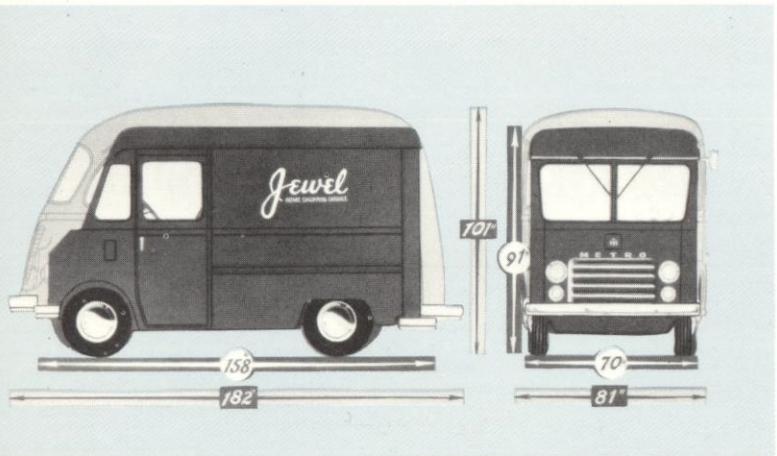
The total also includes four stores opened late in the year in the Peoria area and one in Rockford, Illinois. An encouraging reception has been accorded our efforts in these areas, which are new to Jewel store operations. The Peoria stores are being operated under the Jewel name by the Eisner Division, which was merged into Jewel Tea Co., Inc., at the year-end. Five other stores were added in the Eisner Territory. Of the stores opened, 12 were in shopping centers of varying sizes, of which three are being developed by Jewel. Sixteen stores were closed during the year, making a net increase of 26 and bringing the number in operation to 253 at year-end.

A thorough review was completed in December of our total store operating area, bringing up to date our statistical information on the Chicago Metropolitan and Central Illinois areas. We



Salvage of paper and other used materials at this building at 3617 So. Ashland added more than \$200,000 to operating earnings in 1958.





New route truck of American manufacture now being tested is reduced in outside dimensions and weight, but has 85% of capacity of present model and offers a 25% saving in operating cost.

plan to open approximately 95 new stores over the next three years. We now own or have under lease 45 of these sites, and are looking forward to opening 40 stores in 1959. Of the 40 potential new stores for 1959, we expect that 20 will be in shopping centers, with three of these representing neighborhood shopping centers to be developed by Jewel.

ROUTE TRENDS ENCOURAGING

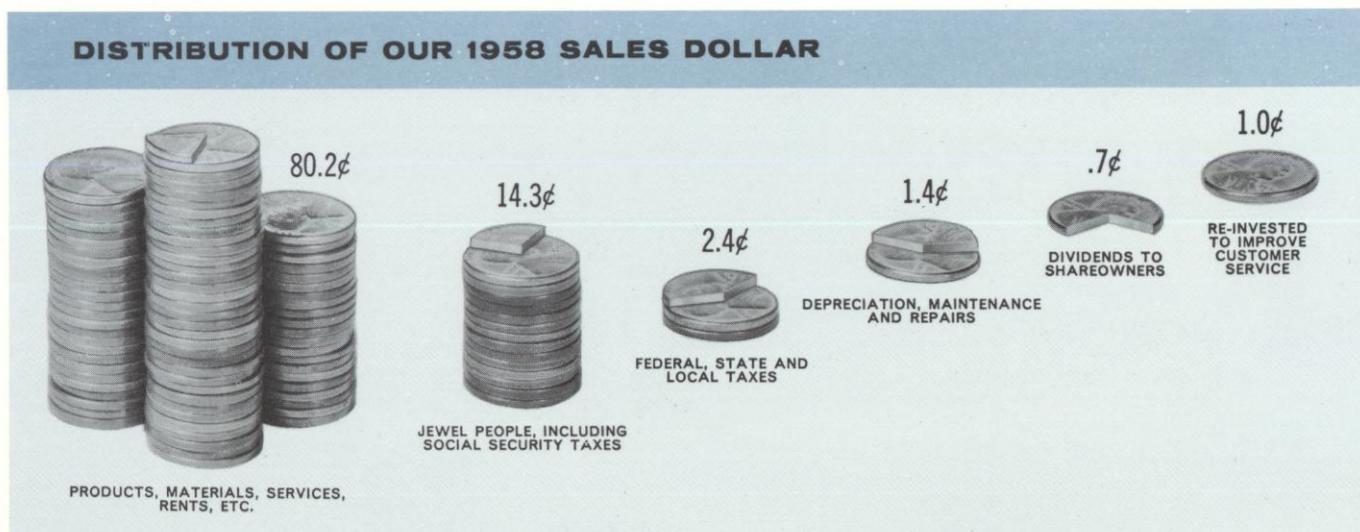
In the Home Service Routes, we completed in 1958 our program for the development of eight regional distribution centers, which typically

serve from 150 to 250 routes each in areas of relatively concentrated suburban population, using modern warehousing methods and functional supervision. Of the 1,928 routes in operation at year-end, 1,338 were served by such centers. The remainder were served by smaller centers handling 20 to 50 routes each—our branch-type operation—which can more economically serve the routes in areas where the population is less concentrated.

Noticeable improvements in expense factors occurred during the year. In addition, experiments were undertaken to improve further the efficiency of route operations. An example of this is a test on newer type truck delivery equipment. Present indications are that a saving of up to 25% can be realized in the cost of operating such equipment through use of the lighter, gas-saving models being offered by both foreign and domestic manufacturers.

FINANCING COMPLETED

On November 3, arrangements were completed for a term-loan agreement with a group of the Company's banks. The amount is \$10,000,000, of which \$5,000,000 was taken down immediately. The balance is expected to be drawn upon sometime in 1959, though the actual takedown may be deferred until November 3, 1960 at the Company's option.



JEWEL TEA CO., INC.

Consolidated Income Account and Accumulated Earnings—UNAPPROPRIATED

	<u>53 WEEKS ENDED JAN. 3, 1959</u>	<u>52 WEEKS ENDED DEC. 28, 1957</u>
Sales and Revenues:		
Retail sales.....	\$443,813,024	\$414,465,815
Other sales and revenues.....	2,840,182	3,817,197
Total sales and revenues.....	<u>446,653,206</u>	<u>417,783,012</u>
 Cost of Doing Business:		
Paid to or for the benefit of employees.....	63,752,154	58,848,845
Products, materials and services.....	353,089,435	332,329,551
Depreciation.....	4,595,890	4,216,154
Rents.....	3,879,990	3,159,617
Maintenance and repairs.....	1,614,892	1,440,221
Doubtful accounts.....	845,455	1,061,283
Interest on indebtedness.....	469,194	442,183
Federal income taxes.....	8,334,000	7,295,000
State, local and all other federal taxes (exclusive of the collection and payment of sales taxes totaling \$11,750,478 in 1958 and \$10,873,903 in 1957).....	2,263,705	2,029,346
Total cost of doing business.....	<u>438,844,715</u>	<u>410,822,200</u>
 Net Earnings for the Year	7,808,491	6,960,812
 Accumulated Earnings—Unappropriated		
Beginning of Year.....	26,903,632	25,455,046
	<u>34,712,123</u>	<u>32,415,858</u>
 Deduct:		
Cash dividends declared:		
Preferred stock.....	272,550	219,049
Common stock.....	3,174,250	3,596,155
Appropriation for 2% stock dividend.....	1,697,022	5,512,226
	<u>3,446,800</u>	<u>5,512,226</u>
 Accumulated Earnings—Unappropriated		
End of Year.....	<u>\$ 31,265,323</u>	<u>\$ 26,903,632</u>

See accompanying notes to consolidated financial statements.

JEWEL TEA CO., INC.

Consolidated

ASSETS

	<u>JAN. 3, 1959</u>	<u>DEC. 28, 1957</u>
Current Assets:		
Cash.....	\$ 14,311,501	\$ 8,268,826
Marketable securities—lower of cost or market.....	7,812,169	9,542,002
Accounts receivable, less allowances.....	9,536,123	10,170,515
Inventories at lower of first-in first-out cost or market except green coffee cost, (\$1,440,892 at January 3, 1959), determined under the last-in first-out method.....	29,927,053	28,036,668
Temporary investment in retail store properties.....	3,212,228	2,148,880
Prepaid expenses and supplies.....	1,331,726	1,072,442
Total current assets.....	66,130,800	59,239,333
Deferred Charge—		
Premiums Advanced to Customers.....	1,503,757	1,501,770
Other Investments.....	1,096,522	991,841
Property, Plant and Equipment (at cost):		
Buildings.....	11,882,739	10,359,740
Equipment.....	44,101,570	36,470,125
Less allowance for depreciation.....	55,984,309	46,829,865
Land.....	22,407,867	19,658,130
Total property, plant and equipment.....	33,576,442	27,171,735
Goodwill.....	1,681,800	1,591,146
	35,258,242	28,762,881
	\$103,989,322	\$90,495,826

Balance Sheet

LIABILITIES

	<u>JAN. 3, 1959</u>	<u>DEC. 28, 1957</u>
Current Liabilities:		
Accounts payable and accrued expenses.....	\$ 16,227,647	\$14,115,859
Dividends payable.....	1,016,911	800,764
Accrued federal, state and local taxes.....	8,434,476	7,833,155
Accrued payrolls and profit sharing.....	5,477,290	5,210,746
Long term indebtedness due within one year.....	293,847	293,605
Total current liabilities.....	31,450,171	28,254,129
 Long Term Indebtedness, less due within one year.....	17,085,074	12,620,001
 Deferred Federal Income Taxes.....	1,074,000	752,000
 Shareowners' Investment:		
Preferred stock—3½% cumulative \$100 par value— authorized and issued 58,500 shares at January 3, 1959...	5,850,000	6,900,000
Common stock—\$1 par value—authorized 4,000,000 shares; outstanding 3,027,022 shares at January 3, 1959 after 2-for-1 split declared December 3, 1958.....	16,055,567	13,144,040
Stock dividend declared December 11, 1957.....	1,697,022	
Accumulated earnings—reserved for self-insured losses and general contingencies.....	1,250,000	1,250,000
Accumulated earnings—unappropriated.....	31,265,323	26,903,632
Preferred stock in treasury.....	(40,813)	(1,024,998)
Total shareowners' investment.....	54,380,077	48,869,696
	\$103,989,322	\$90,495,826

See accompanying notes to consolidated financial statements.

JEWEL TEA CO., INC.

Consolidated Common Stock Account

Balance, December 28, 1957.....	
Stock dividend issued January 31, 1958.....	
Issues to profit-sharing trusts.....	
Issues to employees under terms of stock purchase plan.....	
Issues under stock option contracts.....	
Issue in exchange for net assets of Connolly's Finer Foods, Inc.....	
Discount on 10,500 shares of preferred stock formally retired.....	
Balance, January 3, 1959.....	
Balance, January 3, 1959 adjusted for 2-for-1 stock split declared December 3, 1958.....	

<u>SHARES</u>	<u>AMOUNT</u>
1,462,921	\$13,144,040
29,259	1,697,022
12,000	665,520
4,719	226,285
2,800	141,067
1,812	141,336
	40,297
<u>1,513,511</u>	<u>\$16,055,567</u>
<u>3,027,022</u>	<u>\$16,055,567</u>

Consolidated Source and Use of Funds
Fifty Three Weeks Ended January 3, 1959

Source of Funds:

Net earnings for the year.....	\$ 7,808,491
Provision for depreciation.....	4,595,890
Increase in current and tax liabilities.....	3,518,042
Sale of common stock.....	1,174,208
Increase in long term indebtedness.....	\$5,000,000
Less portion due in one year and payments on loans.....	534,927
Net increase in long term indebtedness.....	4,465,073
	<u>\$21,561,704</u>

Use of Funds:

New property, plant and equipment (net).....	\$11,091,251
Increase in inventories.....	1,890,385
Net increase in cash and marketable securities.....	4,312,842
Dividends to owners of the business.....	3,446,800
Net increase in all other assets.....	820,426
	<u>\$21,561,704</u>

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

OTHER INVESTMENTS

Equity in capital stock of and advances to Eisner Realty Corporation, an unconsolidated wholly-owned subsidiary, aggregated \$757,912 at January 3, 1959, and are included in Other Investments.

LONG TERM INDEBTEDNESS

During 1958, the Company entered into a credit agreement with a group of its principal banks under which it can borrow an amount not to exceed \$10,000,000 in exchange for ninety-day notes, at a rate per annum equal to the prime commercial rate of the Chase Manhattan Bank on the date of borrowing (minimum rate 3½%; maximum rate 4¾%).

Until November 1, 1960, the principal amount of these notes may be converted, in whole or in part, into a six-year term loan at the Company's option. Ninety-day notes outstanding under this agreement at January 3, 1959, aggregated \$5,000,000.

Other principal unsecured loans include the following:

	Rate	Total Outstanding	Due in 1959	Final Maturity
Insurance Companies.....	2.85%	\$5,000,000	—	1971
Insurance Companies.....	3.75	4,347,800	\$217,400	1978
Banks.....	2.75	1,800,000	—	1961
Insurance Company.....	4½	707,500	57,000	1971

PREFERRED STOCK IN TREASURY

Under the sinking fund provisions relating to the preferred stock, the Company must acquire annually on or before each June 30th at least 1,500 shares. On January 3, 1959, the Company had acquired and retired its sinking fund commitments through June 30, 1960 and there were 471 shares of preferred stock in the treasury valued at the acquisition cost of \$40,813, which are available for the 1961 sinking fund requirements.

COMMON STOCK AND RESTRICTED STOCK OPTION PLAN

On December 3, 1958, the Company's Board of Directors authorized a 2-for-1 split of its common stock. The new shares are to be distributed February 27, 1959 to stockholders of record February 13, 1959. Previously, on December 11, 1957, the Board of Directors declared a 2% stock dividend payable January 31, 1958. After adjustment for these changes there were 211,517 shares of common stock reserved

at January 3, 1959 for stock options (described more fully below), employee stock purchases and for issuance to retirement trusts.

Under the terms of a restricted stock option plan adopted in 1956, 147,400 shares of common stock were reserved at January 3, 1959, as follows:

	Number of Shares		
	Reserved	Granted	Available
Balance, December 28, 1957.....	75,000	57,500	17,500
2% stock dividend.....	1,500	1,150	
Granted during year.....		12,500	
Exercised during year at an aggregate price of \$141,067.....	2,800*	2,800*	
Balance, January 3, 1959.....	<u>73,700</u>	<u>68,350</u>	<u>5,350</u>
Balance, January 3, 1959, after adjustment for 2-for-1 stock split.....	<u>147,400</u>	<u>136,700</u>	<u>10,700</u>
Options exercisable at January 3, 1959, as adjusted.....		49,225	

*denotes deduction.

Outstanding options at January 3, 1959 were granted at prices ranging from \$23.06 to \$31.60 per share, representing 95% of the closing market price on the respective dates of grant, all after adjustment for the stock dividend and stock split previously described.

ACCUMULATED EARNINGS (UNAPPROPRIATED)

Under the terms of note agreements with insurance companies and the preferred stock provisions of the certificate of incorporation (the terms of the note agreements governing) \$19,375,075 is not restricted as of January 3, 1959 for cash dividends on common stock.

LONG TERM LEASES

Nearly all retail food stores and home service office-warehouse properties are under lease. A majority of lease commitments are for 10 years or less and the remainder, for the most part, cover periods up to 20 years. The annual minimum commitments for leases expiring beyond five years total approximately \$3,137,000. Rentals for leased properties in 1958 included \$521,637 paid to an unconsolidated wholly-owned subsidiary and other affiliates.

ABSORPTION OF SUBSIDIARY

At the close of business on January 3, 1959, Eisner Grocery Company, a consolidated wholly-owned subsidiary, was merged under the laws of New York and Illinois. Its operation will be continued as a division of Jewel Tea Co., Inc.

TOUCHE, NIVEN, BAILEY & SMART

CERTIFIED PUBLIC ACCOUNTANTS

208 SOUTH LA SALLE STREET

CHICAGO 4, ILL.

February 9, 1959

The Board of Directors,
JEWEL TEA CO., INC.:

We have examined the balance sheet of Jewel Tea Co., Inc. as of January 3, 1959, and the related statements of income and accumulated earnings, common stock and source and use of funds of Jewel Tea Co., Inc. and consolidated subsidiary for the fifty-three weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet, statement of income and accumulated earnings, common stock account and statement of source and use of funds present fairly the financial position of Jewel Tea Co., Inc. at January 3, 1959, and the results of operations of Jewel Tea Co., Inc. and consolidated subsidiary for the fifty-three weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche, Niven, Bailey & Smart

Certified Public Accountants

JEWEL TEA CO., INC.

Directors

G. L. CLEMENTS	A. V. JANNOTTA	M. S. MORSE
A. EISNER, JR.	F. J. LUNDING	J. M. O'CONNOR
J. M. FRIEDLANDER	E. H. McDERMOTT	F. L. SPREYER
W. A. GERBOSI	E. A. MILLER	H. J. SZOLD
E. E. HARGRAVE	S. R. MILLER	R. R. UPDEGRAFF
H. S. BOWERS, Director Emeritus		

Officers

F. J. LUNDING.....	<i>Chairman of Board of Directors</i>
G. L. CLEMENTS.....	<i>President</i>
J. M. FRIEDLANDER.....	<i>Chairman of Finance Committee</i>
J. A. BREWER.....	<i>Vice Pres. Store Operations</i>
E. E. HARGRAVE.....	<i>Vice Pres. Administration</i>
E. A. MILLER.....	<i>Vice Pres. Marketing</i>
M. S. MORSE.....	<i>Vice Pres. Stores Planning and Development</i>
J. M. O'CONNOR.....	<i>Vice Pres. Imports</i>
H. R. RASMUSSEN.....	<i>Vice Pres. Stores Merchandising</i>
L. D. SMITH.....	<i>Vice Pres. Stores Mfg., Warehousing and Transp.</i>
F. L. SPREYER.....	<i>Vice Pres. and General Manager Routes</i>
E. R. STANLEY.....	<i>Vice Pres. and Gen'l Sales Mgr., Routes Divisions</i>
R. D. STURTEVANT.....	<i>Vice Pres. Real Estate and Construction</i>
H. G. HOMUTH.....	<i>Treasurer</i>
W. W. TONGUE.....	<i>Economist</i>
H. O. WAGNER.....	<i>Controller</i>
R. W. WILLIAMSON.....	<i>General Counsel and Secretary</i>
E. T. VORBECK.....	<i>Gen. Attorney and Asst. Secretary</i>

JEWEL TEA CO., INC.
A New York Corporation

Principal Offices

Chairman, Board of Directors and Chairman, Finance Committee.....	135 South LaSalle Street Chicago 3, Illinois
President and Executive.....	1955 West North Avenue Melrose Park, Illinois
Jewel Food Stores.....	3617 South Ashland Avenue Chicago 9, Illinois
Home Service Routes.....	Jewel Park, Barrington, Illinois
Importing.....	99 Wall Street, New York 5, N.Y.
Eisner Food Stores.....	301 East Wilbur Heights Road Champaign, Illinois

Stock Listing

\$1 Par Common Stock and 3½% Cumulative Preferred Stock
listed on the New York Stock Exchange

Transfer Agent

Manufacturers Trust Company,
55 Broad Street, New York 15, N.Y.

Registrar

Bankers Trust Company,
16 Wall Street, New York 15, N.Y.

*This report is submitted to the shareowners of the Corporation for their information and
is not intended to be used in connection with the sale of or offer to sell any securities, nor is it
intended to be information to be included in a prospectus within the meaning of
the provisions of the Federal Securities Act of 1933, as amended.*

WISCONSIN

TERRITORY SERVED BY RETAIL FOOD STORES

Estimated total retail food store sales in this area were 2 billion 700 million dollars.

Our 1958 Retail Food Store sales amounted to \$367,772,000, or 13½% of total for the area.

At the end of 1958 we operated 253 Retail Food Stores including a net increase of 26 stores during the year (42 stores added and 16 stores closed).

Of the total, 207 stores are within the six-county Chicago metropolitan market. It is estimated that Jewel is the largest food retailer in this market.

Our present plans are to open 40 new stores and close 15 stores for a net gain of 25 stores in this total area during 1959.

ILLINOIS

INDIANA

Territory Served by Home Service Routes

At the end of 1958 we operated 1,928 Home Service Routes in 38 states and the District of Columbia. These routes are serviced by 25 office-warehouse units, of which eight are major distribution centers.

1958 Annual Report, Jewel Tea Co., Inc., Melrose Park, Ill.